

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**HB 1913 - SB 2337**

March 9, 2014

**SUMMARY OF BILL:** Prohibits, without approval of the county legislative body in which the property is located, the leasing or conveyance of any real property owned by the state or any political subdivision of the state to a person, corporation, or other business entity in excess of thirty years, if the property leased or conveyed would remain exempt from property taxes, unless the agreement requires the lessee to pay all real and personal property taxes to the county for any year after the initial 30 years. If real property owned by the state or a political subdivision of the state is leased or conveyed for a period of 50 years or more or if the lease permits the lessee to acquire the real property at a nominal sum at the completion of the term, the leasehold interest shall be assessed as if the lessee were the owner.

**ESTIMATED FISCAL IMPACT:**

**Increase Local Revenue – Exceeds \$10,000,000**

**Assumptions:**

- Based on information provided by the Department of General Services, the provisions of the bill will require the state to receive the approval of a local government prior to committing to Payment-In-Lieu-Of-Tax (PILOT) agreements in excess of 30 years. It is assumed this can be accomplished within the existing resources of the department.
- According to the Comptroller of the Treasury (COT), PILOT agreements are typically 30 years or less. PILOT agreements extending longer than 30 years are relatively rare and PILOT agreements extending longer than 50 years are less rare but not common.
- It is assumed the provisions of the legislation will promote PILOT agreements which extend 30 years or less.
- COT estimates in 2008, PILOT incentives represented approximately \$100,000,000 in forgone local government property tax revenue statewide.
- COT estimates the provisions of the bill will result in an increase in local government property tax collections exceeding \$10,000,000 statewide.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

/jrh